



SEVILLIA AUDIT LLC

Special purpose and confidential report

AUDITOR'S REPORT

**LAND DEGRADATION OFFSET AND
MITIGATION IN WESTERN MONGOLIA
(PROJECT: 94432 MON/16/301)**

**The Financial Statements for the period from
January 01, 2017 to December 31, 2017**

**ULAANBAATAR
March 2018**

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ABBREVIATIONS AND ACRONYMS

AWP	Annual Work Plan
CDR	Combined Delivery Report
HACT	Harmonized Approach to Cash Transfer
HSIP	Health and Social Insurance Premium
ISA	International Standards on Auditing
IP	Implementing Partner
GEF	Global Environment Facility
MET	Ministry of Environment and Tourism
MNT	Mongolian National Currency Togrogs (local currency)
NIM	National Implementation Modality
NPD	National Project Director
NPC	National Project Coordinator
PIT	Personal Income Tax
PIU	Project Implementing Unit
SIP	Social Insurance Premium
UN	United Nations
UNEP	United Nations Environment Programme
UNDP	United Nations Development Programme
UNDP CO	United Nations Development Programme Country Office
UNV	United Nations Volunteers
USD	United States Dollars
VAT	Value Added Tax

BRIEF INFORMATION

Project ID	94432 MON/16/301
Project Title	Land Degradation Offset and Mitigation in Western Mongolia
Commencement Date	June 01, 2016
Closing Date	June01, 2019
Funding Agencies	United Nations Development Programme Global Environment Facility
Implementing Partner	Ministry of Environment and Tourism, Mongolia
Chairman of the Project Board	Ts.Tsengel, State Secretary of MET
National Project Coordinator	G.Erdenebayasgalan
Project Address	Government Building II, United Nations Street-5/2, Chingeltei District, Ulaanbaatar 15160, Mongolia Telephone: (976)-7711-7750 Website: www.ldn-mongolia.mn
Audit company	Sevillia Audit LLC 501, 5 th floor, Jiguur Grand Office Center, 2 nd khoroo, Teeverchdiin Street 18, Sukhbaatar District, Ulaanbaatar, Mongolia Telephone: 976-7014-8878 Fax: 976-7014-8899 Cell Phone: 976-9911-8886 E mail: davaa1973@yahoo.com





INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF EXPENDITURES

To: **Ms. Daniela Gasparikova, Deputy Resident Representative, UNDP**
Mr. Ts. Tsengel, Chairman of the Project Board and State Secretary of MET

We have audited the accompanying Statement of Expenditures ("the statement") of Land Degradation Offset and Mitigation in Western Mongolia Project MON/16/301 for the period from January 01, 2017 to December 31, 2017.

Unmodified Opinion

In our opinion, the accompanying Statement of Expenditures presents fairly, in all material respects, the expense of **USD 550,955.12** incurred by Land Degradation Offset and Mitigation in Western Mongolia Project for the period from January 01, 2017 to December 31, 2017 in accordance with the agreed upon procedures under the requirements implemented by the applicable laws and regulations of Mongolia and were (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant UNDP regulations and rules, policies and procedures of the Government and UNDP; and (iv) supported by properly approved vouchers and other supporting documents.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the statement of expenses section of our report. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Based on the audit procedures performed under the Terms of Reference, we concluded that the Project complied within the required rules, policies, and procedures as well as relevant laws of Mongolia.

Management's responsibility

Management is responsible for the preparation and fair presentation of the statement of Land Degradation Offset and Mitigation in Western Mongolia Project in accordance with the project document and Mongolian accounting rules, and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF EXPENDITURES (CONTD.)

Auditors' responsibility

Our objectives are to obtain reasonable assurance about whether the statement of expenses is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of expenses, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Emphasis of Matter

In the reporting period total amount of **USD 550,955.12** were directly paid by UNDP. Out of this, expenditures amounting to **USD 66,452.29** were excluded from the scope of audit, as they were made by UNDP as part of supported activity. The detail is illustrated in Note 4 (b) of this report.

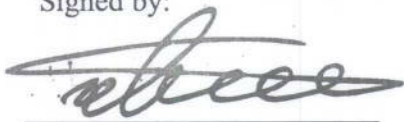


STATEMENT OF EXPENDITURE
For the period from January 01, 2017 to December 31, 2017
(In USD)

<u>Activities</u>	<u>Notes</u>	<u>For FY 2017</u>
Activity 1. LDM and Offset FW Operational	5	324,226.83
Activity 2. LDM and Offset Applied	6	206,958.50
Activity 3. Project Management	7	19,769.79
Total	4	550,955.12

The accompanying notes are integral part of this statement.

Signed by:



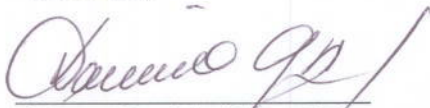
Name: Ts. Tsengel
Title: Chairman of the Project Board
and State Secretary of MET
Date: *March, 30, 2018*

Signed by:



Name: G. Erdenebayasgalan
Title: National Project
Coordinator
Date: *March, 20, 2018*

Signed by:



Name: Daniela Gasparikova
Title: Deputy Resident
Representative, UNDP
Date: *03/04/2018*

Signed by:



Name: Ch. Davaasuren
Title: General Director of
Sevillia Audit LLC
Date: *March 30, 2018*





INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF ASSETS AND EQUIPMENT

To: **Ms. Daniela Gasparikova, Deputy Resident Representative, UNDP**
Mr. Ts. Tsengel, Chairman of the Project Board and State Secretary of MET

We have audited the accompanying Statement of Assets and Equipment ("the statement") of Land Degradation Offset and Mitigation in Western Mongolia Project MON/16/301 as at December 31, 2017.

Opinion

In our opinion, the accompanying Statement of Assets and Equipment presents fairly, in all material respects, the assets and equipment status of Land Degradation Offset and Mitigation in Western Mongolia Project amounting to **USD 22,770.90** as at December 31, 2017 in accordance with the agreed upon procedures under the requirements implemented by the applicable laws and regulations of Mongolia.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the statement of assets and equipment. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility

Management is responsible for the preparation of the statement of assets and equipment of Land Degradation Offset and Mitigation in Western Mongolia Project, and for such internal control as management determines is necessary to enable the preparation of a statement of assets and equipment that is free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF ASSETS AND EQUIPMENT (CONTD.)

Auditors' responsibility

Our objectives are to obtain reasonable assurance about whether the statement of assets and equipment is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of assets and equipment, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



STATEMENT OF ASSETS AND EQUIPMENT
As at December 31, 2017
(In USD)

Description	Notes	At Dec 31, 2017
Assets and Equipment		
Furniture and Fixtures	13	4,068.17
Office equipment, including computers	13	13,464.73
Other Assets	13	5,238.00
Total Assets and Equipment	13	22,770.90

Note: The lists of the assets and equipment are attached to this report.

The accompanying notes are integral part of this statement.

Signed by:



Name: Ts. Tsengel
Title: Chairman of the Project Board
and State Secretary of MET

Date: *March, 30, 2018*

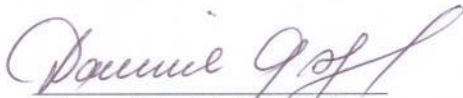
Signed by:



Name: G. Erdenebayasgalan
Title: National Project
Coordinator

Date: *March, 30, 2018*

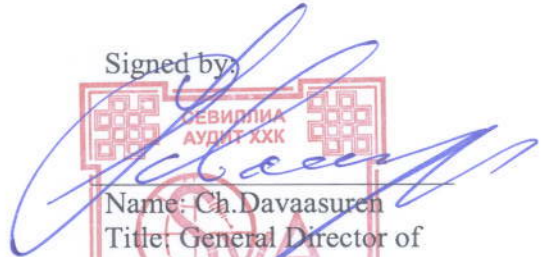
Signed by:



Name: Daniela Gasparikova
Title: Deputy Resident
Representative, UNDP

Date: *03/04/2018*

Signed by:



Name: Ch. Davaasuren
Title: General Director of
Sevilla Audit LLC

Date: *March 30, 2018*





INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF CASH POSITION

To: **Ms. Daniela Gasparikova, Deputy Resident Representative, UNDP**
Mr. Ts. Tsengel, Chairman of the Project Board and State Secretary of MET

We have audited the accompanying Statement of Cash Position ("the statement") of Land Degradation Offset and Mitigation in Western Mongolia Project MON/16/301 for the period from January 01, 2017 to December 31, 2017.

Opinion

In our opinion, the accompanying Statement of Cash Position presents fairly, in all material respects, the cash and bank balances of Land Degradation Offset and Mitigation in Western Mongolia Project amounting to **USD 0.00** as at December 31, 2017 in accordance with the agreed upon procedures under the requirements implemented by the applicable laws and regulations of Mongolia.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor's responsibilities for the audit of the statement of cash position section of our report. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility

Management is responsible for the preparation of the statement of cash position of the project, and for such internal control as management determines is necessary to enable the preparation of a statement of cash position that is free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF CASH POSITION (CONTD.)

Auditors' responsibility

Our objectives are to obtain reasonable assurance about whether the statement of cash position is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement of cash position, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.




STATEMENT OF CASH POSITION
As at December 31, 2017

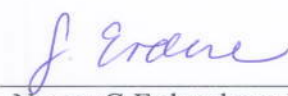
Description	For FY 2017	
	In MNT	In USD
A. Opening Fund Balance		
Petty cash	-	-
Cash in bank account	-	-
Total	-	-
B. Advance received from UNDP during the year	4,476,983.50	1,837.92
C. Total Funds Available (A+B) for the year	4,476,983.50	1,837.92
D. Payments/Expenditures for the year	4,476,983.50	1,840.99
E. Bank charges for the year	-	-
F. Bank interest income	-	-
G. Exchange Gain/Loss	-	(3.07)
H. Closing Fund Balance (C-D-E+F+G)	-	-
I. Closing Fund Balance		
Petty cash	-	-
Cash in bank account	-	-
Total	-	-

The accompanying notes are integral part of this statement.

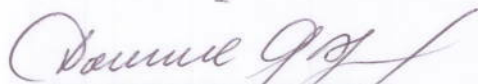
Signed by:


 Name: Ts. Tsengel
 Title: MET State Secretary,
 Chairman at the Project Board
 Date: *March, 30, 2018*


Signed by:


 Name: G. Erdenebayasgalan
 Title: National Project Manager
 Date: *March, 30, 2018*

Signed by:


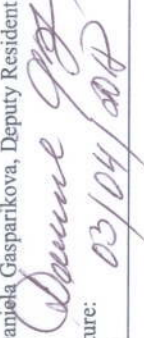



 Name: Daniela Gasparikova
 Title: Deputy Resident
 Representative, UNDP
 Date: *03/04/2018*

Signed by:


 Name: Ch. Davaasuren
 Title: General Director of
 Sevilla Audit LLC
 Date: *March 30, 2018*

UNITED NATIONS DEVELOPMENT PROGRAMME
LAND DEGRADATION OFFSET AND MITIGATION IN WESTERN MONGOLIA

UPDATED ACTION PLANS FOR PRIOR YEAR AUDIT OBSERVATIONS AND RECOMMENDATIONS

Obs No.	Award No. 87440		Output No. 94432		Opinion Type:			Description of Status Update			
	Observation	Recommendation	Audit area	Risk Severity	Proj/CO Mngt Comments	Action Unit	Person Responsible for Action		Updated status		
1	In the reporting period NPD has been replaced two times. During this time all planned activities of FY2016 have carried out without delay even though in the absence of temporary staff. However in FY2017 NPD replaced again or not appointment of temporary official delays its 2017 planned activities.	The IP should take any necessary action to appoint alternative or temporary official until the next NPD's appointment in compliance with the Government regulation on "Alternative or temporary staff appointment" approved by GOM's Order #62 in 2011. UNDP and the project management should closely follow up with the IP and MoF.	Management Structure	Medium	The audit observation and recommendations are accepted. The required measures will be taken in FY2017.	30-Sep-2017	Project Mngt	Erdene-bayasgalan G.	Implemented	17 Dec 2017	The meeting organized with Ministry of Environment is organized in April, 2017. And the meeting with the Ministry of Finance (MoF) is organized in August (the meeting recap is attached). MoF is currently working on improvement of the Government decree #176 and the Minister of Finance resolution #196.
<p>Implementing Partner Mr. Ts. Tsengel, Chairman of the Project Board and State Secretary of MET</p> <p>Signature:  Date: 2018.03.30</p>		<p>UNDP Country Office Ms. Daniela Gasparikova, Deputy Resident Representative, UNDP</p> <p>Signature:  Date: 03/04/2018</p>		<p>Sevillia Audit LLC Mr. Ch. Davasbayar, General Director</p> <p>Signature:  Date: March 30, 2018</p>		 <p>УЛААНБААТАР ХОТ 1117242308-А 52672</p>					

NOTE 1. PROJECT BRIEF

77.8% of Mongolian total territory has been affected by desertification and land degradation. Degree of desertification was low in 35.3% of it, moderate in 25.9%, high in 6.7% and was very high in 9.9%. Desertification is caused by improper management of natural resources and is likely to get worse due to climate change.

Land degradation has become a concerning issue, intensifying desertification, deteriorating wild nature and affecting biodiversity and ecosystem integrity. Decline in land restoration/rehabilitation, capacity and productivity is adversely affecting main economic sectors, namely agriculture, manufacturing as well as achievement of sustainable development goals.

Lack of policy and coordination in use of pastureland, irresponsible and illegal mining activities are contributing to already significant land degradation.

Main goal of the programme to reduce negative impacts of mining on rangelands in the western mountain and steppe region by incorporating mitigation hierarchy and offset for land degradation into the landscape level planning and management.

Total budget for the project is as follows:

Government of Mongolia:	USD 4,430,000
GEF	USD 1,289,863
UNDP	USD 850,000

The project outputs and goals:

1. Emplacement of the land degradation offset and mitigation hierarchy framework and capacity.
2. Application of mitigation hierarchy and land degradation offset mechanism.

Main activities in 2017:

Implementation of the activities planned in framework of the Outcome 1

1.1.1. Rationale and legal basis for improving coordination of land degradation prevention and offsetting in the laws on Land, Special protected areas as well as Environmental impact assessment, relevant concept notes and draft law amendments have been formulated and submitted to the Legal division of the Department for Special protected area management in the Ministry of Environment and Tourism /MET/.

1.1.2. For prevention of land degradation caused by development initiatives, proposals and recommendations to preserve ecologically sensitive areas and to integrate offsetting into the “Methodological guideline for formulation of land management plans of Aimags and the capital city” and “Monitoring and evaluation guideline for implementation of land management plan” have been developed and submitted to the Department for Land Management, Geodesy and Cartography.

1.1.3. With an aim of improving legal framework to provide integrated methodology for preserving natural resources and mitigating land degradation, regulation for land preservation and degraded land rehabilitation and methodology for assessing and restoring soil erosion and land degradation of roads, networks as well as agriculture lands have been drafted and discussed through relevant stakeholders of the MET, Administration for Land Management, Geodesy and Cartography, other academic and research institutions.

1.2.1. As per the agreement with the TNC (The Nature Conservancy) NGO the following activities have been implemented:

- Ecoregional assessment of western and central part of Mongolia has been finalized and relevant advocacy materials “Identifying conservation priorities in the face of future development” and “Environmental specifications of the ecological priority areas worth to protect” have been published. Consultative discussions have been conducted in over 40 soums for improving awareness of the relevant stakeholders on benefits of integrating the ecoregional assessment results into aimag land management plans as well as taking the ecologically sensitive areas under local protection.
- Proposals and recommendations for improving offsetting methodology stipulated in the Regulation for Environmental Impact Assessment have been developed.
- Based on current and potential environmental impacts of Bayan-Airag, Khushuut and Khotgor mines the first ever version of required offsetting practice and related expenses has been formulated. Capacity building trainings on required offsetting practice and its cost estimation methodology have been conducted to environmental focal points at Departments of Environment and Tourism, aimag Specialized Professional Inspection Departments as well as mining companies in western aimags.
- Land degradation and ecological status and of the Bayan-Airag, Khushuut and Khotgor mining sites has been determined and resulting reports along with brief summary has been delivered to relevant officials of the mining companies. This enabled further refinement of required offsetting practice and cost estimation methodology formulated in framework of the project.

1.2.2. The project provided with technical as well as financial support to develop Zavkhan aimag land management plan based on eco-regional assessment and ensuring involvement of local residents.

1.2.3. In order to ensure that ecologically sensitive areas in Western region to be taken under local protection conference, meetings and field surveys in scientific and legal framework have been conducted in western region. As a result, 74 areas in Zavkhan, Uvs, Bayan-Ulgii and Khovd aimags have been taken under local protection and registered in the cadastre database of oil and minerals.

1.2.4. Uvs aimag land management plan is being amended based on the ecoregional assessment results.

1.2.5. Activities implemented in framework of formulating land use and development plans of the target soums (Durvuljin soum of Zavkhan aimag, Darvisoum of Khovd aimag and Bukhmurun soum of Uvs aimag).

1.3.1. Training-workshop on “Ecoregional assessment results & Special Local Needs Registration of the areas” and “Sustainable development of Western region” in Khovd aimag.

1.3.2. Four-day theoretical and practical training on “Methodology for Soum Land Use and Development Planning” was organized as per the approved agenda involving over 50 soum land officers from Khovd, Uvs and Zavkhan aimags. As a result of the training the participants were equipped with appropriate knowledge and skills.

1.3.3. Mining reclamation training was conducted at “Toson uildver” mine site of Monpolymet group in Ulaanbaatar. The training was composed of two sessions, namely 2-day classroom study session and 2-day practical/field study session.

1.3.4. Over 30 cooperatives from Zavkhan, Khovd and Uvs aimags could benefit from the Cooperative Development Forum II and some presentations of the forum were prepared with the project support.

1.3.5. The following publications have been prepared and distributed for raising public awareness on land degradation mitigation hierarchy;

- Eco regional assessment in both Mongolian and English /more environment friendly development planning in the Eco region of the Altai Mountain range, the Great Lakes Hollow and Basin/
- Environmental specifications of the ecologically sensitive areas worth to protect
- Mine reclamation handbook
- Targeting “Zero land degradation” at national level /baseline for defining the goal “Zero land degradation”/
- Zero land degradation /Challenges faced by businesses/

The project input into the publication “Listening to our Land Stories of Resilience”;

- Methodology guidelines for taking the areas under local protection
- Handbook “Theoretical background, international practices and lessons learnt for offset” is under publication.

1.3.6. Seeking support for conducting international study tour on mine reclamation many efforts have been made including meetings with representatives of international donor organizations (including MIRECO, TNC, U.S. Embassy in Mongolia, GIZ etc). As a result governors of the project target soums and relevant specialist of the Ministry benefitted from international study tour in several states of USA with support of the TNC (The Nature Conservancy).

Implementation of the activities planned in framework of the Outcome 2

2.1.1. In 2017 Local Coordination Committees in each aimags (Zavkhan, Khovd and Uvs), responsible for ensuring equal stakeholder engagement and effective inter-agency coordination for successful project implementation at local level, organized 2-3 meetings

and implemented the following activities according to the work plan 2017 approved by the project board chair.

Uvs aimag:

- Attended Integrated Environmental Conference held in Uvs aimag between 13-15 March, 2017 and with knowledge and insights gained through the conference it produced recommendations concerning ecoregional assessment results and offset and for improving disbursement of compensation fee for exploitation of natural resources.
- With an aim of establishing cooperation agreement in the area of improving rehabilitation and offset practices, implementing state policy toward minerals as well as getting better informed about legal reform Uvs Aimag Mining Conference was conducted in 8-9 May, 2017.

Zavkhan aimag:

- One day event for publicizing importance of preserving traditional nomadic culture well-adapted to nature, proper use of natural resources and land degradation mitigation was organized on June 1, 2017 welcoming World Environment Day.
- Jointly with Zavkhan aimag “Women’s advocacy organization” awareness raising activity on land degradation mitigation and offset was conducted to private and non-governmental environment organizations. Moreover, training was conducted to make participants able to apply “Open standard” method that develops environment conservation plan using Miradi program.

Khovd aimag:

- In order to choose an appropriate area for offsetting of Khushuut coal mine discussion was held involving local residents.
- Seeking potential cooperation meetings were held with aimag administration, international organizations, projects and programs operating in Khovd aimag.

2.1.2. The target soum authorities (Darvisoum in Khovd aimag, Bukhmurun soum in Uvs aimag and Durvuljin soum in Zavkhan aimag) are working to introduce technology for improving pasture quality and to rehabilitate pasture land based on recovery of natural vegetation and ecological functions of pasture with involvement of herders, a main user of pasture resources, according to the cooperation agreement with Green Gold NGO.

2.1.3. Damaged farm land in Darvi soum has been restored with support of the project and Khushuut mine.

2.2.1. Offset activities of Khotgor and Khushuut mines and required cost have been determined. Independent monitoring on implementation of offset plan of Bayan-Airag mine was conducted based on criteria and indicators for biodiversity offset.

2.3.1. For improving pasture land management and testing the effectiveness of innovative land degradation mitigation practice small pond was established in

Bukhmurun soum, sea buckthorn plantation was restored along Zavkhan river in Durvuljin soum as well as 2 spring heads were improved through small grant projects.

Project management:

Implementation of activities concerning the project management:

- New NPD (National Project Director) was appointed by the decree of the Minister of Environment and Tourism.
- The Project Board Meeting III and PBM IV were organized on June 2 and November 20, 2017.
- New project officer in Zavkhan aimag was recruited and started working to develop and refine aimag land management plan.

Project progress:

All planned activities for year 2017 were implemented in line with the Annual Work Plan; except the following activities have been cancelled, which are:

- Activity 1.2.4. Recommendation of ERA is not reflected in Khovd Aimag land use plan. Term of Reference of the planned output was developed within Land officer in July 2017. Participation and activation of the Agency for land administration and management, construction in Khovd aimag was very poor for that activity therefore that activity was cancelled in 2017.

The Implementation Rate of the Work Plan was as follows as at December 31, 2017;

	Planned outputs	Number of insufficient performance	Progress rate
Outcome 1	14	1	93%
Outcome 2	9	0	100%
Total	23	1	96%

Human Resources:

In 2017, the Project operated with 8 employees including Project coordinator, Chief Technical Advisor, Admin and Finance Officer, Secretary/Translator, and 4 Local Coordinators. The Project was adequately staffed in the reporting year under review.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting basis of presentation

The financial statements have been prepared on modified cash basis of accounting. Under cash basis of accounting, the receipts are recognized when received or direct payment to creditors are made rather than when earned and disbursements are recognized when paid rather than when incurred. Under the accrual accounting of basis, revenues are recognized when they are earned, expenses are recognized when they are incurred.

2.2 Reporting currency

The United States Dollars (USD) is used as a reference and measurement currency as per requirements to report to the funding organization.

2.3 Accounting software

The Combined Delivery Report (CDR) is prepared using an in-house accounting software package called ATLAS. ATLAS, internet based system contributes to timely, efficient delivery of activities and effective financial monitoring to manage projects and the UNDP programme. The statement of cash position and Statement of Assets and Equipment are prepared using MS Excel.

2.4 Foreign currency conversion

The project accounting is maintained in local currency Mongolian Togrogs ("MNT"). The financial statements were prepared in US Dollars and transactions in currencies other than US Dollars during the reporting period have been translated into US Dollars at official rates monthly determined by the UN.

The exchange rate of MNT to the USD used in the preparation of the financial statements for FY 2017 was as follows:

Months	Description	Rates in MNT
January 2017	UN Exchange rate: 1USD =	MNT 2,487.00
February 2017	UN Exchange rate: 1USD =	MNT 2,457.50
March 2017	UN Exchange rate: 1USD =	MNT 2,468.50
April 2017	UN Exchange rate: 1USD =	MNT 2,451.50
May 2017	UN Exchange rate: 1USD =	MNT 2,419.88
June 2017	UN Exchange rate: 1USD =	MNT 2,402.50
July 2017	UN Exchange rate: 1USD =	MNT 2,350.00
August 2017	UN Exchange rate: 1USD =	MNT 2,439.00
September 2017	UN Exchange rate: 1USD =	MNT 2,439.00
October 2017	UN Exchange rate: 1USD =	MNT 2,463.02
November 2017	UN Exchange rate: 1USD =	MNT 2,454.24
December 2017	UN Exchange rate: 1USD =	MNT 2,443.95

2.5 Recognition of income and expense

Income recognized when cash is deposited. Expense is recognized when fund is disbursed for intended activities.

2.6 Cash and cash equivalents

Cash and cash equivalents consists only petty cash.

Cash management

Petty cash management was sufficient and disbursement was within the given limit.

2.7 Inventory and assets

As required by UNDP, the project classified its assets by their value as over and at/under USD 1,000.

Asset management

Asset management of the PIU was sufficient. All assets and equipments reviewed during the audit were in good condition.

2.8 Taxes

a. Indirect taxes and duties

The project issues VAT exempt-receipt in accordance with the Finance Minister's Decree #217 dated on August 6, 2015 and submits VAT report to the General Department of Taxation, Mongolia on a monthly basis.

b. Personal income tax withholding and social insurance premium

Personal income tax withholding and social insurance premium are paid in accordance with the Order No. 196 approved by Finance Minister of Mongolia on July 10, 2015 and Order No. 176 approved by Government of Mongolia on March 28, 2016.

NOTE 3. PROCUREMENT

Goods, works and services are procured in accordance with the Guidelines for Procurement under National Implementation Modality (NIM) Manual issued by the UNDP. The following general principles are given due consideration when exercising the procurement functions under UNDP- supported project.

- Best value for money
- Impartiality, integrity and transparency
- Effective competition
- Acquisition ethics
- Environmental considerations

Goods, works and services are procured under contracts awarded on a basis of the following methods in accordance with the Procurement Guideline:

- Local shopping
- Request for Quotation
- Request for Proposal
- Invitation to Bid (ITB)

Project procurement

As the project engaged with the National Implementation Modality, all goods, works and services are procured in compliance with the appendix to Order No. 68 of the Government of Mongolia from 2013, "Threshold price that is followed when choosing the procedures to be followed in the procurement of goods, works and services" in accordance with the "Law of Mongolia on Procurement of Goods, Works and Services with State and Local Funds".

"Procurement plan for the purchase of goods, works, and services" was approved by the Chairman of the Project Board on February 08, 2017. Table below shows information of the Project's procurement classified by methods and its budget versus performance for 2017:

			Direct purchase	Comparison method	Bidding	Total (In thous.tog)
Budget	Goods	Quantity Amount				
	Service	Quantity Amount			8 115,200.0	8 134,400.0
	Work	Quantity Amount		2 19,200.0	2 96,000.0	4 115,200.0
	Total	Quantity Amount		2.0 19,200.0	10.0 211,200.0	12.0 230,400.0
Performance	Goods	Quantity Amount				
	Service	Quantity Amount			9 113,569.7	9 113,569.7
	Work	Quantity Amount		4 96,193.6	2 26,988.5	6 123,182.1
	Total	Quantity Amount		4.0 96,193.6	11.0 140,558.2	15 236,751.8
Variance	Total	Quantity		(2.0)	(1.0)	(3.0)
		Amount		76,993.6	(70,641.8)	6,351.8

4. TOTAL EXPENDITURE PER EXPENSE ITEM

a) Expenditure detail by accounts

Account No.	Account name	For FY 2017		
		Gov exp.	UNDP exp.	Total
64397	Service to projects -CO staff		28,260.75	28,260.75
71405	Service Contracts-Individuals		32,304.20	32,304.20
71410	MAIP premium SC		72.93	72.93
71415	Contribution to security SC		1,240.20	1,240.20
71610	Travel Tickets-Local		5,628.39	5,628.39
71625	Daily Subsist Allow-MtgPartic		4,484.21	4,484.21
71635	Travel - Other		23,960.14	23,960.14
71810	Contractual Services-indivImpPtr		109,863.13	109,863.13
72105	Svc Co-Construction & Engineer		185,560.06	185,560.06
72125	Svc Co-Studies & Research Service		72,135.77	72,135.77
72420	Land Telephone Charges		1,912.74	1,912.74
72505	Stationery & other Office Support		5,038.34	5,038.34
73410	Maint, Oper of Transport Equip		208.02	208.02
74110	Audit Fees		1,760.35	1,760.35
74205	Audio Visual Productions		2,335.13	2,335.13
74210	Printing and Publications		18,644.86	18,644.86
74215	Promotional Materials and Dist		557.90	557.90
74225	Other Media Costs		1,080.64	1,080.64
74525	Sundry		(4,945.66)	(4,945.66)
74596	Service to project -GOE		3,409.72	3,409.72
75705	Learning costs		54,746.69	54,746.69
75707	Learning – subsistence allowance		1,458.14	1,458.14
75708	Learning - subcontracts		73.98	73.98
76110	Foreign Exchange Translation Loss		94.48	94.48
76125	Realized Loss		1,417.69	1,417.69
76135	Realized gain		(347.68)	(347.68)
	Total		550,955.12	550,955.12

- (i) The UNDP expenditure column shows UNDP CO support service costs for the project implementation and expenditures disbursed from the UNDP's account to supplier/vendor's account directly upon request of the NPD.

b) Expenses of UNDP Supported activity

Account No.	Account name	Amount
64397	Service to projects -CO staff	28,260.75
71405	Service Contracts-Individuals	32,304.20
71410	MAIP premium SC	72.93
71415	Contribution to security SC	1,240.20
74596	Service to project -GOE	3,409.72
76110	Foreign Exchange Translation Loss	94.48
76125	Realized Loss	1,417.69
76135	Realized gain	(347.68)
Total		66,452.29

c) Total expenditure by donors

Donors	Amount
United Nations Development Programme	15,000.00
Global Environment Facility	535,955.12
Total	550,955.12

NOTE 5. ACTIVITY 1-LDM AND OFFSET FW OPERATIONAL

a) Expenditure detail by accounts

Account No.	Account name	For FY 2017		
		Gov exp.	UNDP exp.	Total
71610	Travel Tickets-Local		3,113.72	3,113.72
71625	Daily Subsist Allow-MtgPartic		2,520.27	2,520.27
71635	Travel - Other		14,828.05	14,828.05
71810	Contractual Svcs-indivImpPtnr		31,872.98	31,872.98
72105	Svc Co-Construction & Engineer		185,560.06	185,560.06
72125	Svc Co-Studies & Research Service		19,877.00	19,877.00
72420	Land Telephone Charges		1,485.96	1,485.96
72505	Stationery & other Office Support		871.39	871.39
74205	Audio Visual Productions		2,335.13	2,335.13
74210	Printing and Publications		14,500.60	14,500.60
74215	Promotional Materials and Dist		476.07	476.07
74225	Other Media Costs		228.33	228.33
74525	Sundry		(74.80)	(74.80)
75705	Learning costs		45,484.14	45,484.14
75708	Learning - subcontracts		39.36	39.36
76125	Realized Loss		1,453.24	1,453.24
76135	Realized gain		(344.67)	(344.67)
Total			324,226.83	324,226.83

b) Expenditure detail by donors

Donors	Amount
Global Environment Facility	324,226.83
Total	324,226.83

NOTE 6. ACTIVITY 2-LDM AND OFFSET APPLIED

a) Expenditure detail by accounts

Account No.	Account name	For FY 2017		
		Gov exp.	UNDP exp.	Total
64397	Service to projects -CO staff		3,914.94	3,914.94
71405	Service Contracts-Individuals		32,304.20	32,304.20
71410	MAIP premium SC		72.93	72.93
71415	Contribution to security SC		1,240.20	1,240.20
71610	Travel Tickets-Local		2,514.67	2,514.67
71625	Daily Subsist Allow-MtgPartic		1,963.94	1,963.94
71635	Travel - Other		9,132.09	9,132.09
71810	Contractual Svcs-indivImpPtnr		77,990.15	77,990.15
72125	Svc Co-Studies & Research Service		52,258.79	52,258.79
72420	Land Telephone Charges		426.79	426.79
72505	Stationery & other Office Support		4,166.96	4,166.96
73410	Maint, Oper of Transport Equip		208.02	208.02
74110	Audit Fees		1,760.35	1,760.35
74210	Printing and Publications		4,144.26	4,144.26
74215	Promotional Materials and Dist		81.83	81.83
74225	Other Media Costs		852.31	852.31
74525	Sundry		(232.70)	(232.70)
74596	Service to project -GOE		3,409.72	3,409.72
75705	Learning costs		9,262.55	9,262.55
75707	Learning – subsistence allowance		1,458.14	1,458.14
75708	Learning - subcontracts		34.62	34.62
76110	Foreign Exch Translation Loss		88.18	88.18
76125	Realized Loss		(94.44)	(94.44)
	Total		206,958.50	206,958.50

b) Expenditure detail by donors

Donors	Amount
Global Environment Facility	206,958.50
Total	206,958.50

NOTE 7. ACTIVITY 3-PROJECT MANAGEMENT

a) Expenditure detail by accounts

Account No.	Account name	For FY 2017		
		Gov exp.	UNDP exp.	Total
64397	Service to projects -CO staff		24,345.81	24,345.81
72125	Svc Co-Studies & Research Service		(0.02)	(0.02)
72420	Land Telephone Charges		(0.01)	(0.01)
72505	Stationery & other Office Support		(0.01)	(0.01)
74525	Sundry		(4,638.16)	(4,638.16)
76110	Foreign Exchange Translation Loss		6.30	6.30
76125	Realized Loss		58.89	58.89
76135	Realized gain		(3.01)	(3.01)
Total			19,769.79	19,769.79

b) Expenditure detail by donors

Donors	Amount
Global Environment Facility	4,769.79
United Nations Development Programme	15,000.00
Total	19,769.79

NOTE 8. SUBSEQUENT EVENTS

The implementing partner is not aware of any events that occurred after the end of the reporting period until the date the statements were approved for release, which would have any material impact on these statements.

NOTE 9. BUDGET ANALYSIS

	Budget	Performance	Variance	%
Activity 1. LDM and Offset FW Operational	336,700.00	324,226.83	12,473.17	3.7%
Activity 2. LDM and Offset Applied	191,140.00	206,958.50	(15,818.50)	-8.3%
Activity 3. Project Management	18,800.00	19,769.79	(969.79)	-5.2%
Total	546,640.00	550,955.12	(4,315.12)	

Source: Annual Work Plan 2017 dated on February 02, 2017 signed by National Programme Manager, National Programme Director, Programme Analyst, UNDP Deputy Resident Representative. The work plan was amended and approved on April 26, 2017.

Positive percentages represent budget saving, whereas negative percentages represent budget exceed.

- Budget for Activity 1 was saved by 3.7% or actually the budgeted funds have not been disbursed because;
 - Activity for developing the plan of Khovd aimag's land organization was not organized;
 - Some activities, reflected in the Local Coordination Committee's plan of Khovd aimag for the year 2017 were co-financed as cooperating with other parties so the budget was saved.
 - The meeting of the Project Technical Committee has not been organized in the year 2017.
- Budget for Activity 2 was exceeded by 8.3% because the discussion for submitting the territory plans of the targeted 3 soums to the Citizens' Representative Hural and related transportation expenses were increased.
- Budget for Activity 3 was exceeded by 5.2% because the stationery expenses were increased.

NOTE 10. INTERNAL CONTROL

Human resources

We conducted an audit of human resources procedures and the financial data at the Project office. The objective of the audit was to assess human resources legal and financial compliant in the areas: i) internal control; ii) compliance with relevant laws, procedures and rules of Mongolia and UNDP iii) staff (consultant) hiring processes; iv) performance evaluation and bonus policy and financial data.

We concluded based on the current procedures and legislations in place that the Project human resource management and control system have being adequately established as of December 31, 2017 in the following context:

- Project applied the principles of competitiveness, transparent and effectiveness in the recruitment and selection the project staff and consultants.
- Staff performance evaluation made in compliant with the applicable laws and procedures of Mongolia (Government of Mongolia, Resolution #176 of March 28, 2016) and policy and rules of UNDP.
- Financial control and management have being properly conducted in staff attendance control, calculation of salaries and entitlements, payroll preparation, payments and documentations.

Finance

We performed audit procedures in accordance with the agreed upon procedures under the requirements implemented by the applicable laws and regulations of Mongolia for the Project's financial management and control system including authorization processes, budget control and IT system. Based on the audit procedures performed on the authorization levels, procedures, receipts and disbursement of funds, documentations as well as the expenses schedules, Project has established an adequate financial management control, reporting and IT system according to the rules, procedures and laws of Mongolia and UNDP.

Procurement

Our audit covered contracting and procurement of the Project involving need of procurements were valid and certified by the authorization and evaluation and award procedures followed in line with the relevant criteria. Based on the audit procedures in accordance with the agreed upon procedures under the requirements implemented by the applicable laws and regulations of Mongolia, we concluded the Project has designed proper controls for the procurement of goods and services where the procurement procedures conducted in compliance with the applicable laws and regulations (Law on Procurement of Goods, Works and Services with State and Local Fund of December 01, 2005) of Mongolia in the areas: i) Authorization process, procurement thresholds, call for bids and proposals, evaluation of bids and proposals and approvals of contracts and purchase orders; ii) Project's assets have maintained under responsible custody and managed proper financial control.

Asset Management

Based on the review conducted in accordance with the agreed upon procedures under the requirements implemented by the applicable laws and regulations of Mongolia, assets maintained under adequate control and custody. Its financial reporting and documentations made in accordance with the required laws, procedures and rules.

Cash management

Project's cash management, control and financial reporting have adequately set and sufficiently supported by the supporting documents.

General Administration

In addition to our financial procedures, compliance requirements of travel activities, vehicle management, shipping services and office management, communications and IT systems, as well as records maintenance have also been covered. We have reviewed in accordance with the agreed upon procedures under the requirements implemented by the applicable laws and regulations of Mongolia, whether these general administration procedures have followed the applicable laws and regulations. As result,

- Travel activities conducted in line with the criteria set by applicable laws and regulations as well policy and rules of UNDP in the processes of contracting, DSA tariff, fuel cost, and accommodation cost, vehicle types, location, payments have all supported by documents.
- The Project occupied an office place in the Government building during its term and office was structured and managed effectively.

NOTE 11. TRANSLATION

These financial reports and notes are prepared both in Mongolian and English languages. In case of discrepancy between the two versions, the English version shall prevail.

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NOTE 12. LIST OF ASSETS AND EQUIPMENT

A. List of Assets with value of more than 1,000 USD per item

No.	Acquisition date	Description	Project ID	Fund	Condition	Responsible person/entity	Item Location	Supplier	Value in USD	Serial No.
1	2016.08.09	Multi-function printer CANON IR2520- Multi	94432	62000	Good	B. Nomin	MEGDT #310	IT Zone LLC	2,017.17	1.60E-23
TOTAL VALUE									2,017.17	

B. List of Assets with value of less than 1,000 USD per item

No.	Acquisition date	Description	Project ID	Fund	Condition	Responsible person/entity	Item Location	Supplier	Value in USD	Serial No.
Furniture										
1	2016.07.13	Office deskLGD 140W	94432	62000	Good	B. Nomin	MEGDT #310	BSB Trading LLC	147.04	16F-0001
2	2016.07.13	Office deskLGD 140W	94432	62000	Good	G.Erdenebayasgalan	MEGDT #310	BSB Trading LLC	147.04	16F-0002
3	2016.07.13	Office deskLGD 140W	94432	62000	Good	Y. Onon	MEGDT #310	BSB Trading LLC	147.04	16F-0003
4	2016.07.13	Office deskLGD 140W	94432	62000	Good	E.Zambaga	MEGDT #310	BSB Trading LLC	147.04	16F-0004
5	2016.07.13	sub-chairLGD W1260 side return	94432	62000	Good	B. Nomin	MEGDT #310	BSB Trading LLC	111.38	16F-0005
6	2016.07.13	Desk glass seperatorFW14	94432	62000	Good	B. Nomin	MEGDT #310	BSB Trading LLC	102.51	16F-0006
7	2016.07.13	Desk glass seperatorFW15	94432	62000	Good	G.Erdenebayasgalan	MEGDT #310	BSB Trading LLC	102.51	16F-0007
8	2016.07.13	Desk glass seperatorFW16	94432	62000	Good	Y. Onon	MEGDT #310	BSB Trading LLC	102.51	16F-0008
9	2016.07.13	Desk glass seperatorFW17	94432	62000	Good	E.Zambaga	MEGDT #310	BSB Trading LLC	102.51	16F-0009
10	2016.07.13	Glass door cupboardLGD GD206 cabinet GD	94432	62000	Good	G.Erdenebayasgalan	MEGDT #310	BSB Trading LLC	445.66	16F-0010
11	2016.07.13	Glass door cupboardLGD GD206 cabinet GD	94432	62000	Good	G.Erdenebayasgalan	MEGDT #310	BSB Trading LLC	445.66	16F-0011
12	2016.07.13	office chairMG-L chair green	94432	62000	Good	B. Nomin	MEGDT #310	BSB Trading LLC	84.64	16F-0012
13	2016.07.13	office chairMG-L chair green	94432	62000	Good	G.Erdenebayasgalan	MEGDT #310	BSB Trading LLC	84.64	16F-0013
14	2016.07.13	office chairMG-L chair green	94432	62000	Good	Y. Onon	MEGDT #310	BSB Trading LLC	84.64	16F-0014

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List of Assets with value of less than 1,000 USD per item-Continued-1

15	2016.07.13	office chair:MG-L chair green	94432	62000	Good	E.Zambaga	MEGDT #310	BSB Trading LLC	84.64	16F-0015
16	2016.07.13	low-rise cupboardLGD W125 medium cabinet	94432	62000	Good	Y. Onon	MEGDT #310	BSB Trading LLC	209.43	16F-0016
17	2016.07.13	low-rise cupboardLGD W125 medium cabinet	94432	62000	Good	G.Erdenebayasgalan	MEGDT #310	BSB Trading LLC	209.43	16F-0017
18	2016.07.13	low-rise cupboardLGD W125 medium cabinet	94432	62000	Good	E.Zambaga	MEGDT #310	BSB Trading LLC	209.43	16F-0018
19	2016.07.14	safe SPA2	94432	62000	Good	B. Nomin	MEGDT #310	BSB Trading LLC	298.58	16F-0019
20	2016.07.15	Meeting deskLGD R120W meeting table	94432	62000	Good	B. Nomin	MEGDT #310	BSB Trading LLC	178.24	16F-0020
21	2016.07.16	wheeled small cupboardLGDM3 Mobile pedestal	94432	62000	Good	B. Nomin	MEGDT #310	BSB Trading LLC	124.75	16F-0021
22	2016.07.17	wheeled small cupboardLGDM3 Mobile pedestal	94432	62000	Good	G.Erdenebayasgalan	MEGDT #310	BSB Trading LLC	124.75	16F-0022
23	2016.07.18	wheeled small cupboardLGDM3 Mobile pedestal	94432	62000	Good	Y. Onon	MEGDT #310	BSB Trading LLC	124.75	16F-0023
24	2016.07.19	wheeled small cupboardLGDM3 Mobile pedestal	94432	62000	Good	E.Zambaga	MEGDT #310	BSB Trading LLC	124.75	16F-0024
25	2016.07.20	Meeting chairTQR-09W chair	94432	62000	Good	E.Zambaga	MEGDT #310	BSB Trading LLC	31.15	16F-0025
26	2016.07.21	Meeting chairTQR-09W chair	94432	62000	Good	E.Zambaga	MEGDT #310	BSB Trading LLC	31.15	16F-0026
27	2016.07.22	Meeting chairTQR-09W chair	94432	62000	Good	E.Zambaga	MEGDT #310	BSB Trading LLC	31.15	16F-0027
28	2016.07.23	Meeting chairTQR-09W chair	94432	62000	Good	E.Zambaga	MEGDT #310	BSB Trading LLC	31.15	16F-0028
Sub-total									4,068.17	



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List of Assets with value of less than 1,000 USD per item-Continued-2

Equipment													
1	2016.08.05	PCHP laptop, USB Antivirus program	LT-AC104TX-15 mouse+	94432	62000	Good	B. Nomin	MEGDT #310	BSB Computers LLC	794.59	1.60E+00		
2	2016.08.05	PCHP laptop, USB Antivirus program	LT-AC104TX-15 mouse+	94432	62000	Good	G.Erdenebayasgalan	MEGDT #310	BSB Computers	794.59	1.60E-01		
3	2016.08.05	PCHP laptop	LT-AC104TX-15	94432	62000	Good	Y. Onon	MEGDT #310	BSB Computers LLC	794.59	1.60E-02		
4	2016.08.05	PCHP Computer display	LT-AC104TX-15 DELL 23	94432	62000	Good	E.Zambaga	MEGDT #310	BSB Computersllc	794.59	1.60E-03		
5	2016.08.09	Computer display	DELL 23	94432	62000	Good	B. Nomin	MEGDT #310	IT Zone LLC	131.19	1.60E-04		
6	2016.08.09	Computer display	DELL 23	94432	62000	Good	G.Erdenebayasgalan	MEGDT #310	IT Zone LLC	131.19	1.60E-05		
7	2016.08.09	Computer display	DELL 23	94432	62000	Good	Y. Onon	MEGDT #310	IT Zone LLC	131.19	1.60E-06		
8	2016.08.09	Computer display	DELL 23	94432	62000	Good	E.Zambaga	MEGDT #310	IT Zone LLC	131.19	1.60E-07		
9	2016.08.05	Portable connectorDell D3000 docking station		94432	62000	Good	B. Nomin	MEGDT #310	BSB Computers LLC	167.25	1.60E-08		
10	2016.08.05	Portable connectorDell D3100 docking station		94432	62000	Good	G.Erdenebayasgalan	MEGDT #310	BSB Computers LLC	167.25	1.60E-09		
11	2016.08.05	Portable connectorDell D3100 docking station		94432	62000	Good	Y. Onon	MEGDT #310	BSB Computers LLC	-	1.60E-10		
12	2016.08.05	Portable connectorDell D3100 docking station		94432	62000	Good	E.Zambaga	MEGDT #310	BSB Computers LLC	167.25	1.60E-11		
13	2016.08.05	DELLDT-ОРТ3020МТ desktop with Dell E1916H 18.5" monitor,		94432	62000	Good	A. Khurel-erdene	Zavkhan	BSB Computers LLC	631.66	1.60E-12		
14	2016.08.05	DELLDT-ОРТ3020МТ desktop with Dell E1916H 18.5" monitor,		94432	62000	Good	B.Bayarsaikhan	Khovd	BSB Computers LLC	631.66	1.60E-13		
15	2016.08.05	Ширээнийкомпьютер, дэлгэцDELLDT-ОРТ3020МТ desktop with Dell E1916H 18.5" monitor,		94432	62000	Good	B.Munkhdorj	Uvs	BSB Computers LLC	631.66	1.60E-14		
16	2016.08.05	Photo digitalcameraNIKON COOLPIX-S3700 Silver		94432	62000	Good	B. Nomin	MEGDT #310	BSB Computers LLC	154.04	1.60E-15		



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LAND DEGRADATION OFFSET AND MITIGATION IN WESTERN MONGOLIA

List of Assets with value of less than 1,000 USD per item-Continued-3

17	2016.08.05	Photo COOLPIX-S3700 Digital CameraZoom	cameraNIKON Silver	94432	62000	Good	A. Khurel-erdene	Zavkhan	BSB Computers LLC	154.04	1.60E-16
18	2016.08.05	Photo COOLPIX-S3700 Digital CameraZoom	cameraNIKON Silver	94432	62000	Good	B. Bayarsaikhan	Khovd	BSB Computers LLC	154.04	1.60E-17
19	2016.08.05	Photo COOLPIX-S3700 Digital CameraZoom	cameraNIKON Silver	94432	62000	Good	B. Munkhdorj	Uvs	BSB Computers LLC	154.04	1.60E-18
20	2016.08.05	Air filter PANASONIC F- VXF35HS Humidifying Air	PROJ- 94432	62000	Good	B. Nomin	MEGDT #310	MEGDT #310	BSB Computers LLC	264.1	1.60E-19
21	2016.08.05	Факс аппарат PANASONIC KX-FP215 Fax Machine	94432	62000	Good	B. Nomin	MEGDT #310	MEGDT #310	BSB Computers LLC	110.02	1.60E-20
22	2016.08.05	Projector NEC VE281XG	PROJ- 94432	62000	Good	B. Nomin	MEGDT #310	MEGDT #310	BSB Computers LLC	439.1	1.60E-21
23	2016.08.05	Color printer HP LaserJet Pro	94432	62000	Good	E. Zambaga	MEGDT #310	MEGDT #310	BSB Computers	585.47	1.60E-22
24	2016.12.22	GPSeTrex 30x;	94432	62000	Good	A. Khurel-erdene	Zavkhan	Zavkhan	Debit Set LLC	334.35	1.60E-24
25	2016.12.22	GPSeTrex 30x;	94432	62000	Good	B. Bayarsaikhan	Khovd	Khovd	Debit Set LLC	334.35	1.60E-25
26	2016.12.22	GPSeTrex 30x;	94432	62000	Good	B. Munkhdorj	Uvs	Uvs	Debit Set LLC	334.35	1.60E-26
27	2016.12.27	Multi function printerHP laser Jet Pro.MFP225dn	94432	62000	Good	A. Khurel-erdene	Zavkhan	Zavkhan	BSB Computers LLC	332.39	1.60E-27
28	2016.12.27	Multi function printerHP laser Jet Pro.MFP225dn	94432	62000	Good	B. Bayarsaikhan	Khovd	Khovd	BSB Computers LLC	332.39	1.60E-28
29	2016.12.27	Multi function printerHP laser Jet Pro.MFP225dn	94432	62000	Good	B. Munkhdorj	Uvs	Uvs	BSB Computers LLC	332.39	1.60E-29
30	2016.12.27	Projector NEC VE303G проектор	PROJ- 94432	62000	Good	A. Khurel-erdene	Zavkhan	Zavkhan	BSB Computers LLC	406.26	1.60E-30
31	2016.12.27	Projector NEC VE303G проектор	PROJ- 94432	62000	Good	B. Bayarsaikhan	Khovd	Khovd	BSB Computers LLC	406.26	1.60E-31
32	2016.12.27	Projector NEC VE303G проектор	PROJ- 94432	62000	Good	B. Munkhdorj	Uvs	Uvs	BSB Computers LLC	406.26	1.60E-32
33	2016.10.11	water dispenser baseHYUNDAI	94432	62000	Good	Y. Onon	MEGDT #310	MEGDT #310	T. Ariunbold	113.86	1.60E-33
Sub Total										11,447.56	



UNITED NATIONS DEVELOPMENT PROGRAMME
LAND DEGRADATION OFFSET AND MITIGATION IN WESTERN MONGOLIA

List of Assets with value of less than 1,000 USD per item-Continued-4

Other assets										
1	2016.07.01	document binder	94432	62000	Good	E.Huyagtsetseg	MEGDT #310	Tenger Altai Trade LLC	34.5	16SA-0001
2	2016.07.01	white board	94432	62000	Good	E.Huyagtsetseg	MEGDT #310	Tenger Altai Trade LLC	22.5	16SA-0002
3	2016.07.01	white board	94432	62000	Good	G.Erdenebayasgalan	MEGDT #310	Tenger Altai Trade LLC	22.5	16SA-0003
4	2016.07.01	Board	94432	62000	Good	E.Huyagtsetseg	MEGDT #310	Tenger Altai Trade LLC	27.1	16SA-0004
5	2016.07.01	Paper cutter	94432	62000	Good	E.Zambaga	MEGDT #310	Tenger Altai Trade LLC	39.1	16SA-0005
6	2016.07.01	Paper binder	94432	62000	Good	E.Zambaga	MEGDT #310	Tenger Altai Trade LLC	75.8	16SA-0006
7	2016.08.05	SONY RECORDER-ICD-PX240	94432	62000	Good	E.Huyagtsetseg	MEGDT #310	BSB Computers LLC	54.33	16SA-0007
8	2016.08.05	Portable desk	94432	62000	Good	E.Huyagtsetseg	MEGDT #310	IT Zone LLC	74.4	16SA-0008
9	2016.08.05	Portable desk	94432	62000	Good	G.Erdenebayasgalan	MEGDT #310	IT Zone LLC	74.4	16SA-0009
10	2016.08.05	MouseLogitech MK220 Wireless Desktop	94432	62000	Good	E.Huyagtsetseg	MEGDT #310	IT Zone LLC	25.97	16SA-0010
11	2016.08.05	MouseLogitech MK220 Wireless Desktop	94432	62000	Good	G.Erdenebayasgalan	MEGDT #310	IT Zone LLC	25.97	16SA-0011
12	2016.08.05	MouseLogitech MK220 Wireless Desktop	94432	62000	Good	Y.Onon	MEGDT #310	IT Zone LLC	25.97	16SA-0012
13	2016.08.05	MouseLogitech MK220 Wireless Desktop	94432	62000	Good	E.Zambaga	MEGDT #310	IT Zone LLC	25.97	16SA-0013
14	2016.08.05	Licensed computer program Windows	94432	62000	Good	E.Huyagtsetseg	MEGDT #310	BSB Computers LLC	265.16	16SA-0014
15	2016.08.05	Licensed computer program Windows	94432	62000	Good	G.Erdenebayasgalan	MEGDT #310	BSB Computers LLC	265.16	16SA-0015
16	2016.08.05	Licensed computer program Windows	94432	62000	Good	Y.Onon	MEGDT #310	BSB Computers LLC	265.16	16SA-0016
17	2016.08.05	Licensed computer	94432	62000	Good	E.Zambaga	MEGDT #310	BSB Computers LLC	265.16	16SA-0017
18	2016.08.05	Licensed computer	94432	62000	Good	A.Khurel-Erdene	MEGDT #310	BSB Computers LLC	265.16	16SA-0018

UNITED NATIONS DEVELOPMENT PROGRAMME
LAND DEGRADATION OFFSET AND MITIGATION IN WESTERN MONGOLIA

List of Assets with value of less than 1,000 USD per item-Continued-5

19	2016.08.05	Licensed computer	94432	62000	Good	B.Bayarsaikhan	MEGDT #310	BSB Computers	265.16	16SA-0019
20	2016.08.05	Licensed computer program Windows	94432	62000	Good	B.Munkhdorj	MEGDT #310	BSB Computers LLC	265.16	16SA-0020
21	2016.08.05	Phone apparatPanasonic	94432	62000	Good	E.Huyagtsetseg	MEGDT #310	BSB Computers LLC	26.37	16SA-0021
22	2016.08.05	Phone apparatPanasonic	94432	62000	Good	G.Erdenebayasgalan	MEGDT #310	BSB Computers LLC	26.37	16SA-0022
23	2016.08.05	Phone apparatPanasonic	94432	62000	Good	E.Zambaga	MEGDT #310	BSB Computers LLC	26.37	16SA-0023
24	2016.10.22	Tent - Mountain / Salmon river	94432	62000	Good	E.Zambaga	MEGDT #310	Debit set LLC	326.52	16SA-0024
25	2016.10.22	Tent - Mountain / Salmon river	94432	62000	Good	A.Khurel-Erdene	Zavkhan	Debit set LLC	326.52	16SA-0025
26	2016.10.22	Tent - Mountain / Salmon river	94432	62000	Good	B.Bayarsaikhan	Khovd	Debit set LLC	326.52	16SA-0026
27	2016.10.22	Tent - Mountain / Salmon river	94432	62000	Good	B.Munkhdorj	Uvs	Debit set LLC	326.52	16SA-0027
28	2016.10.22	Mattress	94432	62000	Good	G.Erdenebayasgalan	MEGDT #310	Debit set LLC	99.55	16SA-0028
29	2016.10.22	Mattress	94432	62000	Good	Y.Onon	MEGDT #310	Debit set LLC	99.55	16SA-0029
30	2016.10.22	Mattress	94432	62000	Good	E.Zambaga	MEGDT #310	Debit set LLC	99.55	16SA-0030
31	2016.10.22	Mattress	94432	62000	Good	E.Huyagtsetseg		Debit set LLC	99.55	16SA-0031
32	2016.10.22	Mattress	94432	62000	Good	A.Khurel-Erdene	Zavkhan	Debit set LLC	99.55	16SA-0032
33	2016.10.22	Mattress	94432	62000	Good	B.Bayarsaikhan	Khovd	Debit set LLC	99.55	16SA-0033
34	2016.10.22	Mattress	94432	62000	Good	B.Munkhdorj	Uvs	Debit set LLC	99.55	16SA-0034
35	2016.10.22	Blanket	94432	62000	Good	G.Erdenebayasgalan	MEGDT #310	Debit set LLC	79.64	16SA-0035
36	2016.10.22	Blanket	94432	62000	Good	Y.Onon	MEGDT #310	Debit set LLC	79.64	16SA-0036
37	2016.10.22	Blanket	94432	62000	Good	E.Zambaga	MEGDT #310	Debit set LLC	79.64	16SA-0037
38	2016.10.22	Blanket	94432	62000	Good	E.Huyagtsetseg		Debit set LLC	79.64	16SA-0038
39	2016.10.22	Blanket	94432	62000	Good	A.Khurel-Erdene	Zavkhan	Debit set LLC	79.64	16SA-0039
40	2016.10.22	Blanket	94432	62000	Good	B.Bayarsaikhan	Khovd	Debit set LLC	79.64	16SA-0040
41	2016.10.22	Blanket	94432	62000	Good	B.Munkhdorj	Uvs	Debit set LLC	79.64	16SA-0041
42	2016.12.08	board	94432	62000	Good	Y.Onon	MEGDT #310	Tenger Altai Trade LLC	77.00	16SA-0046
43	2016.12.27	Phone apparatPanasonic kx-ts520mx	94432	62000	Good	A.Khurel-Erdene	Zavkhan	BSB Computers LLC	18.43	16SA-0047



UNITED NATIONS DEVELOPMENT PROGRAMME
LAND DEGRADATION OFFSET AND MITIGATION IN WESTERN MONGOLIA

List of Assets with value of less than 1,000 USD per item-Continued-6

44	2016.12.27	Phone apparatPanasonic kx- ts520mx	94432	62000	Good	B.Bayarsaikhan	Khovd	BSB Computers LLC	18.43	16SA-0048
45	2016.12.27	Phone apparatPanasonic kx- ts520mx	94432	62000	Good	B.Munkhdorj	Uvs	BSB Computers LLC	18.43	16SA-0049
46	2017.01.17	Portable desk	94432	62000	Good	G.Erdenebayasgalan	MEGDT #310	BCT LLC	81.58	SA-0050
Sub-total									5,238.00	
TOTAL VALUE									20,753.73	
GRAND TOTAL									22,770.90	

C. Changes in the Assets and Equipment

Description	Beginning balances	Increased during the current period	Decreased during the current period	Ending balances
Assets and Equipment				
Furniture and Fixtures	4,068.17	-	-	4,068.17
Office equipment, including computers	13,631.98	-	167.25	13,464.73
Other Assets	5,276.12	81.58	119.70	5,238.00
Total Assets and Equipment	22,976.27	81.58	286.95	22,770.90

UNITED NATIONS DEVELOPMENT PROGRAMME
 LAND DEGRADATION OFFSET AND MITIGATION IN WESTERN MONGOLIA

REPORT ON THE AUDIT OF THE UNDP CDR

UNDP Combined Delivery Report (CDR)

For the period from January 01, 2017 to December 31, 2017

Project No.	Output No.	Amount audited and certified (in USD)	Audit opinion (Unmodified, qualified, adverse, disclaimer)	Total amount of qualification of audit opinion (if qualified, adverse or disclaimer opinion)	Reason (s) for qualification of audit opinion and breakdown of NFI amount (in USD)	Observation (s) that had impact on qualification of audit opinion (list observation number (s) and page of audit report/management letter)
94432	MON/16/301	550,955.12	Unmodified	N/A	N/A	N/A

Signed by: 

Name: Ch.Davaasuren
 Title: General Director of Sevillia Audit LLC

Date:

March 30, 2018



UNITED NATIONS DEVELOPMENT PROGRAMME
 LAND DEGRADATION OFFSET AND MITIGATION IN WESTERN MONGOLIA

REPORT ON THE AUDIT OF THE STATEMENT OF ASSETS AND EQUIPMENT

Statement of Assets and Equipment
 As at December 31, 2017

Project No.	Output No.	Value of Assets and Equipment in USD	Audit opinion (Unmodified, qualified, adverse, disclaimer)	Total amount of qualification of audit opinion (if qualified, adverse or disclaimer opinion)
94432	MON/16/301	22,770.90	Unmodified	N/A

Signed by: 
 Name: Ch. Davaasuren
 Title: General Director of
 Sevilla Audit LLC
 U1724318-4-530724

Date: *March 30, 2018*



UNITED NATIONS DEVELOPMENT PROGRAMME
 LAND DEGRADATION OFFSET AND MITIGATION IN WESTERN MONGOLIA

REPORT ON THE AUDIT OF THE STATEMENT OF CASH POSITION

Statement of Cash Position
 As at December 31, 2017

Project No.	Output No.	Value of Cash Position in USD	Audit opinion (Unmodified, qualified, adverse, disclaimer)	Total amount of qualification of audit opinion (if qualified, adverse or disclaimer opinion)
94432	MON/16/301	0.0	Unmodified	N/A

Signed by: 
 Name: Ch. Davaasuren
 Title: General Director of
 Sevillia Audit LLC
 Date: *March 30, 2018*



UNITED NATIONS DEVELOPMENT PROGRAMME
LAND DEGRADATION OFFSET AND MITIGATION IN WESTERN MONGOLIA

CURRENT YEAR AUDIT OBSERVATION AND RECOMMENDATIONS

Project No. 94432 Output No. MON /16/301

№	Audit observation	Recommendation	Audit area	Risk Severity	Project/CO Mngmt. Comments
1	<p><u>VAT reporting and confirmation</u></p> <p>The Project separately reports the purchase cost and VAT, which is included in the total price of the purchase, and amounts of VAT receivables are recorded in the Account No. 14056. However, some amounts of those separately recorded VAT could not be reported in the return of VAT or claimed back when the related supplier does not report the VAT payable in the tax site (ebarimt.mn). In addition, the balances of VAT Receivables have not been confirmed by the Project with UNDP Finance Officer.</p>	<p>The Project shall correctly and fully report VAT receivables in the return of VAT and confirm the balances of VAT Receivables with tax office and UNDP Finance officer.</p>	Finance	Medium	<p>Even the payments are received, some suppliers don't report their VAT payables in the tax site (ebarimt.mn). We will consider this issue and pay attention for recording VAT in the related tax site. In addition, we will confirm the refunded VAT with UNDP's finance on quarterly basis and improve the internal control.</p>
2	<p><u>VAT exemption</u></p> <p>When purchasing goods, works, and services, the Project pays VAT together with the purchase price then the statement of those paid VAT are filed or submitted to General Taxation Authority, and receives refund of VAT from the Ministry of Finance. However, the current practice of refunding VAT is rather time consuming technical operations and more risk for making errors.</p>	<p>In cooperating with UNDP, the Project should send the request to the Ministry of Finance in order to be included in the Listings of the projects and programmes, which are exempted from VAT imposition</p>	Finance	Low	<p>As per recommendation, we will request the Ministry of Finance and take measures for including in the listings of VAT exemption according to related decisions issued by the Ministry of Finance.</p>

UNITED NATIONS DEVELOPMENT PROGRAMME
LAND DEGRADATION OFFSET AND MITIGATION IN WESTERN MONGOLIA

3	<p><u>Under-reporting and payment of the Social Insurance Premium (SI) and Personal Income Tax (PIT)</u></p> <p>The Project has paid work and service fees amounts of 8,682.6 thousands togrogs to five individuals and withheld related social insurance premium amounts of 750.9 thousands togrogs and personal income tax amounts of 793.2 thousands togrogs but did not report in the returns of Social Insurance Premium and Personal Income Tax.</p> <p>In addition, the social insurance premium and personal income tax have not been withheld and paid from the service fees amounts of 2.4 million togrogs paid to individual Tumenjargal.</p>	<p>The Project shall pay the social insurance premiums within the every month as per Article 15 of Social insurance law and file the return of Social insurance premiums within the 5th day of next month as per Article 16 of the law.</p> <p>Personal income taxes, withheld from the service fees paid to individuals, should be paid within the 10th day of the next month as per Article 26.3 of Personal income tax law.</p>	Finance	Low	The project will comply with related legislation.
4	<p><u>Code for types of insured in the return of social insurance charges</u></p> <p>Social insurance premiums withheld from the fees of the persons, who performed service outside of his/her principal work position, were reported in the return of social insurance premiums as codified No. 01. As a result, Social insurance premiums were withheld and paid by 10% for contribution of employees and 11% for contribution of employer or the Project.</p>	<p>PIU shall clarify every fee-based staff whether they have another or principal work position, if so, the social insurance premiums should be estimated and paid by 9.8% for contribution of employees (insured) and 10.8% for contribution of employer (the Project) instead of 10% and 11%, respectively for the year 2017 in accordance with Article 4.2.6 of Social insurance law.</p>	Finance	Low	The Project will comply with related legislation when PIT and SI are estimated and paid.

UNITED NATIONS DEVELOPMENT PROGRAMME
LAND DEGRADATION OFFSET AND MITIGATION IN WESTERN MONGOLIA

Name and position of Auditor:

Ch. Davaasuren,
General Director
SEVILLIA AUDIT
APERTYX LLC

Signature of Auditor:



Date:

March 30, 2018

Name and Stamp of Audit Firm: Sevilla Audit LLC





UNDP UN Development Programme
Report ID: unglcdrb

Combined Delivery Report by Activity

Page 13 of 22
Run Time: 22-02-2018 09:02:5

Project Id : 00087440 Land Degradation Offset and Mi	Period :	Jan-Dec (2017)
Output # : 00094432 Land mitigation and offset	Impl. Partner :	02124 Ministry Of Nature And Envir
	Location :	Mongolia
	Govt Exp	UNDP Exp
	UN Agencies Exp	Total Exp

Output # : 00094432 Land mitigation and offset	Impl. Partner :	02124 Ministry Of Nature And Envir
	Location :	Mongolia

Activity : ACTIVITY 1 (LDM and offset FW operational)

Fund : 62000 (GEF Voluntary Contribution)

71610 - Travel Tickets-Local	0.00	3,113.72	0.00	3,113.72
71625 - Daily Subsist Allow-Mtg Partic	0.00	2,520.27	0.00	2,520.27
71635 - Travel - Other	0.00	14,828.05	0.00	14,828.05
71810 - Contractual Svcs-indiv ImpPtr	0.00	31,872.98	0.00	31,872.98
72105 - Svc Co-Construction & Engineer	0.00	185,560.06	0.00	185,560.06
72125 - Svc Co-Studies & Research Serv	0.00	19,877.00	0.00	19,877.00
72420 - Land Telephone Charges	0.00	1,485.96	0.00	1,485.96
72505 - Stationery & other Office Supp	0.00	871.39	0.00	871.39
74205 - Audio Visual Productions	0.00	2,335.13	0.00	2,335.13
74210 - Printing and Publications	0.00	14,500.60	0.00	14,500.60
74215 - Promotional Materials and Dist	0.00	476.07	0.00	476.07
74225 - Other Media Costs	0.00	228.33	0.00	228.33
74525 - Sundry	0.00	-74.80	0.00	-74.80
75705 - Learning costs	0.00	45,484.14	0.00	45,484.14
75708 - Learning - subcontracts	0.00	39.36	0.00	39.36
76125 - Realized Loss	0.00	1,453.24	0.00	1,453.24
76135 - Realized Gain	0.00	-344.67	0.00	-344.67

Total for Fund 62000 0.00 324,226.83 0.00 324,226.83

Total for Activity ACTIVITY 1 0.00 324,226.83 0.00 324,226.83

Activity : ACTIVITY 2 (LDM and offset applied)

Fund : 62000 (GEF Voluntary Contribution)

64397 - Services to projects -CO staff	0.00	3,914.94	0.00	3,914.94
71405 - Service Contracts-Individuals	0.00	32,304.20	0.00	32,304.20
71410 - MAIP Premium SC	0.00	72.93	0.00	72.93
71415 - Contribution to Security SC	0.00	1,240.20	0.00	1,240.20
71610 - Travel Tickets-Local	0.00	2,514.67	0.00	2,514.67
71625 - Daily Subsist Allow-Mtg Partic	0.00	1,963.94	0.00	1,963.94
71635 - Travel - Other	0.00	9,132.09	0.00	9,132.09
71810 - Contractual Svcs-indiv ImpPtr	0.00	77,990.15	0.00	77,990.15
72125 - Svc Co-Studies & Research Serv	0.00	52,258.79	0.00	52,258.79
72420 - Land Telephone Charges	0.00	426.79	0.00	426.79
72505 - Stationery & other Office Supp	0.00	4,166.96	0.00	4,166.96
73410 - Maint, Oper of Transport Equip	0.00	208.02	0.00	208.02
74110 - Audit Fees	0.00	1,760.35	0.00	1,760.35
74210 - Printing and Publications	0.00	4,144.26	0.00	4,144.26
74215 - Promotional Materials and Dist	0.00	81.83	0.00	81.83
74225 - Other Media Costs	0.00	852.31	0.00	852.31
74525 - Sundry	0.00	-232.70	0.00	-232.70
74596 - Services to projects -GOE	0.00	3,409.72	0.00	3,409.72

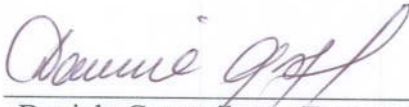


Combined Delivery Report by Activity

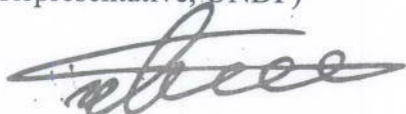
Project id : 00087440 Land Degradation Offset and Mi		Period :	Jan-Dec (2017)	
Output # : 00094432 Land mitigation and offset		Impl. Partner :	02124 Ministry Of Nature And Envir	
		Location :	Mongolia	
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
75705 - Learning costs	0.00	9,262.55	0.00	9,262.55
75707 - Learning – subsistence allowan	0.00	1,458.14	0.00	1,458.14
75708 - Learning - subcontracts	0.00	34.62	0.00	34.62
76125 - Realized Loss	0.00	88.18	0.00	88.18
76135 - Realized Gain	0.00	-94.44	0.00	-94.44
Total for Fund 62000	0.00	206,958.50	0.00	206,958.50
Total for Activity ACTIVITY 2	0.00	206,958.50	0.00	206,958.50
Activity : ACTIVITY 3 (Project Management)				
Fund : 04000 (Core Programme, UNU Centre)				
64397 - Services to projects -CO staff	0.00	15,000.00	0.00	15,000.00
Total for Fund 04000	0.00	15,000.00	0.00	15,000.00
Fund : 62000 (GEF Voluntary Contribution)				
64397 - Services to projects -CO staff	0.00	9,345.81	0.00	9,345.81
71405 - Service Contracts-Individuals	0.00	0.00	0.00	0.00
71410 - MAIP Premium SC	0.00	0.00	0.00	0.00
71415 - Contribution to Security SC	0.00	0.00	0.00	0.00
71810 - Contractual Svcs-indiv ImpPtr	0.00	0.00	0.00	0.00
72125 - Svc Co-Studies & Research Serv	0.00	-0.02	0.00	-0.02
72420 - Land Telephone Charges	0.00	-0.01	0.00	-0.01
72505 - Stationery & other Office Supp	0.00	-0.01	0.00	-0.01
73410 - Maint, Oper of Transport Equip	0.00	0.00	0.00	0.00
74110 - Audit Fees	0.00	0.00	0.00	0.00
74525 - Sundry	0.00	-4,638.16	0.00	-4,638.16
74596 - Services to projects -GOE	0.00	0.00	0.00	0.00
76110 - Foreign Exch Translation Loss	0.00	6.30	0.00	6.30
76125 - Realized Loss	0.00	58.89	0.00	58.89
76135 - Realized Gain	0.00	-3.01	0.00	-3.01
Total for Fund 62000	0.00	4,769.79	0.00	4,769.79
Total for Activity ACTIVITY 3	0.00	19,769.79	0.00	19,769.79
Total for Output : 00094432	0.00	550,955.12	0.00	550,955.12

Combined Delivery Report by Activity


Project Id : 00087440 Land Degradation Offset and MI	Period :	Jan-Dec (2017)		
Output # : 00100364 Strengthening Representative B	Impl. Partner :	02142 Secretariat of the Parliamen		
	Location :	Mongolia		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
Project Total :	0.00	550,955.12	0.00	550,955.12

Signed by: 
Daniela Gasparikova (Deputy Resident Representative, UNDP)

Date: 03/04/2018

Signed by: 
Ts. Tsengel (Chairman of the Project Board)

Date: March, 30, 2018

Signed by: 
Ch. Davaasuren (General Director of Sevilla Audit LLC)

Date: March 30, 2018





SEVILLIA AUDIT LLC

Special purpose and confidential report

MANAGEMENT LETTER

**LAND DEGRADATION OFFSET AND
MITIGATION IN WESTERN MONGOLIA
(PROJECT: 94432 MON/16/301)**

**The Financial Statements for the period from
January 01, 2017 to December 31, 2017**

**ULAANBAATAR
March 2018**

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The report, which includes some findings observed during the external assessment carried out in "Land Degradation Offset and Mitigation in Western Mongolia Project" (hereinafter referred to as the "Project") for the period from January 21, 2017 to December 14, 2017 as well as proposed recommendations for supporting the monitoring and reporting system (annexing annex).

The results of the internal monitoring audit system was found to be generally in line with the current environmental management system with some gaps in the Project's internal monitoring system. Statement of Impediments, Statement of Assets and Liabilities and Statement of Cash Flows as of December 31, 2017 and for the period ended 2017.

The Project is fully covered for the use of the project funds of the Project and is not expected to be used for other purposes.

The Project will continue to be monitored and the appropriate measures for correcting the gaps.

The Project's internal monitoring and reporting system is generally in line with the current environmental management system.

The Project would like to thank the Project's staff, donors and Government of staff for their support and cooperation during the course of all work.





SEVILLIA AUDIT LLC

Date: March 30, 2018

Ref No. 2018-01/049

Ulaanbaatar city

**TO: Ms. Daniela Gasparikova, Deputy Resident Representative, UNDP
Mr. Ts.Tsengel, Chairman of the Project Board and State Secretary of MET**

SUBJECT; MANAGEMENT LETTER

Dear Madam/Sir,

This management letter includes some findings observed during the financial statements auditing of "Land Degradation Offset and Mitigation in Western Mongolia Project MON/16/301" (herein, after referred to as the "Project") for the period from January 01, 2017 to December 31, 2017 as well as proposed recommendation for improving the accounting procedures and internal accounting controls.

Our review of the internal accounting control system was limited to obtaining an understanding of the control environment in connection with our audit of the Project's financial statements which comprise Statement of Expenditures, Statement of Assets and Equipment, and Statement of Cash Position as at December 31, 2017 and for the period then ended.

This letter is solely intended for the use of the management of the Project and is not intended for any other purposes.

We hope that you will consider these matters and take appropriate measures for correcting them.

If you have any questions and clarification in connection with this letter of management, please don't hesitate to contact with us.

Finally we would like to thank the Project's management and members of staff for the courtesies and cooperation extended during the course of our work.

SINCERELY,

DAYAASUREN.Ch
GENERAL DIRECTOR

CURRENT YEAR OBSERVATION

1. VAT reporting and confirmation

Condition

The Project separately reports the purchase cost and VAT, which is included in the total price of the purchase, and amounts of VAT receivables are recorded in the Account No. 14056. However, some amounts of those separately recorded VAT could not be reported in the return of VAT or claimed back when the related supplier does not report the VAT payable in the tax site (ebarimt.mn). In addition, the balances of VAT Receivables have not been confirmed by the Project with UNDP Finance Officer.

Criteria

Separately recorded VAT Receivables of PIU shall be reported in VAT return and the balances of VAT Receivables are consistent with the balances of VAT recorded by UNDP.

Risk-Medium

VAT Receivables are wrongly reported as a result, VAT receivables may not be fully reimbursed from the tax office.

Recommendation

The Project shall correctly and fully report VAT receivables in the return of VAT and confirm the balances of VAT Receivables with tax office and UNDP Finance officer.

Project Management Comments

Even the payments are received, some suppliers don't report their VAT payables in the tax site (ebarimt.mn). We will consider this issue and pay attention for recording VAT in the related tax site. In addition, we will confirm the refunded VAT with UNDP's finance on quarterly basis and improve the internal control.

2. VAT exemption

Condition

When purchasing goods, works, and services, the Project pays VAT together with the purchase price then the statement of those paid VAT are filed or submitted to General Taxation Authority, and receives refund of VAT from the Ministry of Finance. However, the current practice of refunding VAT is rather time consuming technical operations and more risk for making errors.

Criteria

The Minister of Finance issues a decree and approves the list of projects and Programmes, which are exempted from VAT imposition according to Article 13.1.3 of VAT law. As included in this listings of the Minister, the Project can pay the purchase price of goods, works, and services excluding VAT or exempted from VAT imposition.

Risk-Low

It needs more technical operations and risky for making errors.

Recommendation

In cooperating with UNDP, the Project should send the request to the Ministry of Finance in order to be included in the Listings of the projects and programmes, which are exempted from VAT imposition

Project Management Comments

As per recommendation, we will request the Ministry of Finance and take measures for including in the listings of VAT exemption according to related decisions issued by the Ministry of Finance.

3. Under-reporting and payment of the Social Insurance Premium (SI) and Personal Income Tax (PIT)

Condition

The Project has paid work and service fees amounts of 8,682.6 thousands togros to five individuals and withhold related social insurance premium amounts of 750.9 thousands togros and personal income tax amounts of 793.2 thousands togros but did not report in the returns of Social Insurance Premium and Personal Income Tax.

In addition, the social insurance premium and personal income tax have not been withhold and paid from the service fees amounts of 2.4 million togros paid to individual Tumenjargal.

Criteria

Withheld social insurance premiums and personal income taxes need to be reported in the related returns of SI and PIT as well as they shall be paid to the tax and social insurance offices.

Social insurance premiums and personal income taxes must be withheld and paid from all fees paid or estimated to be paid.

Risk-Low

The Project under-estimated and paid the PIT and SI. It is risky for re-imposing PIT and SI as well as penalties for delayed payments.

Recommendation

The Project shall pay the social insurance premiums within the every month as per Article 15 of Social insurance law and file the return of Social insurance premiums within the 5th day of next month as per Article 16 of the law.

Personal income taxes, withheld from the service fees paid to individuals, should be paid within the 10th day of the next month as per Article 26.3 of Personal income tax law.

Project Management Comments

The project will comply with related legislation.

4. Code for types of insured in the return of social insurance charges

Condition

Social insurance premiums withheld from the fees of the persons, who performed service outside of his/her principal work position, were reported in the return of social insurance premiums as codified No. 01. As a result, Social insurance premiums were withheld and paid by 10% for contribution of employees and 11% for contribution of employer or the Project.

Criteria

If a person, who renders services to the Project on fee-based contract, has another or principal work position, unemployment insurance premium shall not be withheld and paid by the Project to the social insurance office.

Risk-Low

Social insurance premiums shall be over-estimated and paid by the Project to the social insurance offices.

Recommendation

PIU shall clarify every fee-based staff whether they have another or principal work position, if so, the social insurance premiums should be estimated and paid by 9.8% for contribution of employees (insured) and 10.8% for contribution of employer (the Project) instead of 10% and 11%, respectively for the year 2017 in accordance with Article 4.2.6 of Social insurance law.

Project Management Comments

The Project will comply with related legislation when PIT and SI are estimated and paid.